



***Program Compliance Office
Cal Grant Program Review Report***

2000-01 Award Year

**Western Career College - Sacramento
Program Review ID#80200974800**

**8909 Folsom Boulevard
Sacramento, CA 95826**

Program Review Dates: 12/2/2002 - 12/6/2002

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AUDITOR'S REPORT

SUMMARY

We reviewed Western Career College – Sacramento's administration of California Student Aid Commission (Commission) programs for the 2000-01 award year.

The institution's records disclosed the following deficiencies:

- Renewal Cal Grant award not maximized due to incorrect unmet need
- Tuition charges for 15 students were less than the Cal Grant awards disbursed

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A, B, and C

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: For Profit Proprietary Institution
- President: Richard Nathanson
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 1,300

B. Institutional Persons Contacted

- Bobbi Nathanson: Vice President of Finance
- Theresa Navarro: Financial Aid Director
- Dawn Goff: Student Records Coordinator

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: San Leandro and Pleasant Hill
- Financial Aid Programs: Federal: Family Education Loan Program
Pell, SEOG, Perkins
State: Cal Grant A, B, and C
- Financial Aid Consultant: Global Financial Aid Services
10467 Corporate Drive
Gulfport, MS 39503
(228) 523-1000

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review will focus on, but not be limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in the conduct of this review include:

- Evaluate the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluate the current payment procedures through interviews and reviews of student records, forms and procedures.
- Review the records and grant payment transactions from a sample of 40 students who received a total of 15 Cal Grant A awards, 5 Cal Grant B awards and 20 Cal Grant C awards within the review period. The program review sample was randomly selected from the total population of 107 recipients.

This review was conducted in accordance with **Government Auditing Standards** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the institution's financial statements

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The findings were discussed with agency representatives in an exit conference on October 31, 2002. The agency staff concurred with all findings.

October 31, 2002

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT ELIGIBILITY:

FINDING: Cal Grant Not Maximized Due to Incorrect Unmet Need

A review of three renewal Cal Grant student files disclosed one case where the Cal Grant award was not maximized due to incorrect reporting of unmet need.

DISCUSSION:

Students may renew a grant beyond the first year of the award if they continue to show evidence of financial need at the school they will attend. The unmet financial need figure provided by schools and then displayed on the Grant Roster is used to determine a renewal recipient's Cal Grant A and B award. If the unmet need figure on the roster is greater than the maximum award at this school, the student is eligible for a maximum award. The school must calculate and report an unmet need that reflects the recipient's annual need as a full-time student for the **award year**. Net unmet need is defined as a student's budget (COA) minus EFC, Pell Grant, and all other aid.

The California Education Code indicates that Cal Grant A awards and Cal Grant B Tuition awards shall be used only for tuition and student fees. Based on a recipient's financial need, the Commission makes tuition/fee payments up to a maximum annual award **not to exceed the school's actual tuition/fee charges**. If the reported need is less than the maximum annual award, the school calculates the revised annual award by rounding down to the nearest ten-dollar increment. The school must calculate the term payment based on this revised annual award.

Student No. 16's unmet need was reported incorrectly as \$2,808 (COA-EFC-Pell-Cal Grant Award). This amount was rounded to the nearest ten-dollar increment (\$2,800) for the revised maximum annual award. The maximum term award was calculated by dividing the revised annual award by 4 (mandatory quarters) for a total of \$700 per term. The student was paid a fall full-time award of \$700 and a half-time award for winter of \$350 for a total of \$1,050 (\$700+\$350).

The correct unmet need of \$12,045 (COA-EFC-Pell) should have been reported and rounded down to the nearest ten-dollar increment to determine the maximum annual award of \$12,040. The maximum term award would have been \$3,010 per quarter. The student was eligible to receive a full-time fall award of \$3,010 and a half-time winter award of \$908 (actual tuition charge was \$908.76) for a total of \$3,918 (\$3,010+\$908). The student was not awarded the maximum allowed by \$2,868 (\$3,918-\$1,050).

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Higher Education Act, Part F – Need Analysis
California Education Code 69532 (a)
Cal Grant Manual, Chapter 2, page 2-2
Cal Grant Manual, Chapter 4, pages 4-1 and 4-3
Cal Grant Manual, Chapter 5, page 5-11 and 5-15

REQUIRED ACTION:

No liability resulted in the above finding, however due to the incorrect reported unmet need, the student did not receive the maximum amount of Cal Grant A award. The institution must also submit the procedures to ensure reported unmet need reflects recipient's annual need as a full-time student for the award year.

INSTITUTION'S RESPONSE:

Western Career College submitted the updated procedures for calculating unmet need. The institution will calculate the unmet need by using a 12-month budget to reflect the recipient's annual need as a full-time student for the award year. The Cal Grant need will be calculated by using the following formula:

$$\text{COA(annual budget)} - \text{EFC-Pell/SEOG} = \text{Cal Grant Need}$$

AUDITOR REPLY:

The revised unmet need calculation procedures are deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING: Tuition Charges Less Than Cal Grant Awards

A review of 40 student files disclosed 15 cases where the institution overpaid a student Cal Grant funds because actual tuition charges were less than the Cal Grant awards.

DISCUSSION:

The California Education Code indicates that Cal Grant tuition/fee awards shall be used only for tuition and student fees. Based on a recipient's financial need, the Commission makes tuition/fee payments up to a maximum annual award **not to exceed the school's actual tuition/fee charges**.

The Cal Grant awards exceeded actual tuition charges for the following students:

FINDINGS AND REQUIRED ACTIONS (continued)

ID	Term	Cal Grant Award	Actual Tuition	Excess
1	Fall 2000	\$3,210.00	\$2,867.56	\$342.44
	Winter 2000	3,210.00	2,867.56	342.44
2	Winter 2000	2,776.00	2,256.16	518.84
4	Fall 2000	2,408.00	2,042.66	365.34
	Winter 2000	3,210.00	3,023.65	186.35
7	Fall 2000	3,210.00	2,889.00	321.00
9	Fall 2000	1,531.00	1,134.00	397.00
	Winter 2000	1,531.00	1,515.50	15.50
	Summer 2001	2,042.00	1,897.00	145.00
11	Fall 2000	3,210.00	3,048.56	161.44
	Winter 2000	3,210.00	2,867.56	342.44
13	Fall 2000	3,210.00	2,867.56	342.44
	Winter 2000	3,210.00	2,324.36	885.64
19	Fall 2000	3,210.00	3,131.56	78.44
	Winter 2000	1,605.00	1,451.76	153.24
21	Fall 2000	3,012.00	2,932.57	79.43
	Winter 2000	3,012.00	2,832.57	179.43
	Spring 2001	3,012.00	2,832.57	179.43
25	Fall 2000	3,210.00	3,128.66	81.34
	Winter 2000	3,210.00	3,128.66	81.34
	Spring 2001	3,210.00	1,459.32	1,750.68
27	Fall 2000	3,210.00	2,867.56	342.44
	Winter 2000	2,407.00	1,433.78	973.22
	Spring 2001	3,210.00	2,324.76	885.24
29	Fall 2000	3,210.00	2,256.16	953.84
31	Fall 2000	1,605.00	1,033.44	571.56
33	Spring 2001	3,210.00	1,691.96	1,518.04
37	Fall 2000	3,210.00	2,712.80	497.20
	Winter 2000	3,210.00	2,169.80	1,040.20
Total				\$13,730.94

REFERENCES:

California Education Code 69532 (a)
Institutional Agreement, Article V.B
Cal Grant Manual, Chapter 5, pages 5-11, 5-20 and 5-21

REQUIRED ACTION:

The institution must repay **\$13,730.94** for students No. 1, 2, 4, 7, 9, 11, 13, 19, 21, 25, 27, 29, 31, 33, and 37 as detailed above.

A portfolio review of all Cal Grant recipients who received a tuition award for the 2000-01 and 2001-02 award year must be performed by the school and the following information must be provided in spreadsheet format in response

FINDINGS AND REQUIRED ACTIONS (continued)

to this issue. Do not include the students discussed above to avoid duplicate return of funds.

- Student Name
- Social Security Number
- Award Year
- Term (Beginning with Fall and ending with Summer)
- Actual Tuition Charges for each term
- Amount of Cal Grant Tuition Paid
- Amount of Ineligible Cal Grant Tuition disbursed

Please include copies of student ledger cards to verify actual tuition charges and the amount of Cal Grant tuition disbursements. Additionally, the institution must provide the written policies and procedures that will be put into place to ensure that Cal Grant funds for tuition only will not exceed the actual tuition and fees charged.

INSTITUTION'S RESPONSE:

The institution returned the amount of \$13,730.94 in check No. 103899 for the ineligible funds found during the review and check No. 104333 in the amount of \$45,682 for the ineligible funds as a result of the portfolio review.

The institution submitted the updated policies for calculation of tuition and fees: when calculating the Cal Grant tuition payments, the full time payments shall not exceed the actual cost being charged for the courses included in that term. If the school becomes aware of any change to the charges being applied for a payment period already reported; the adjustment will be made on WebGrants.

AUDITOR REPLY:

The institution's response is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY FOR PROGRAM FUNDS:

FINDING: 2000-01 Funds Not Disbursed Nor Returned

A review of accounting documents revealed that funds were neither disbursed to one student nor returned to the Commission.

DISCUSSION:

All participating institutions agree to use the funds advanced to it solely for payment to eligible recipients in the Cal Grant Program. Once the Commission advances Cal Grant funds, schools must determine and verify student eligibility before disbursing funds.

The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis. At a minimum, Cal Grant participating

FINDINGS AND REQUIRED ACTIONS (continued)

institutions must reconcile their accounts with the funds received from the Commission for each academic year. Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission.

Schools must make all disbursements by September 30 following the end of the award year (for example, September 30, 2002, for award year 2001-02). At the latest, all payment transactions must be reported prior to the start of the month-end processing the following November. The school will bear the liability for payments not reported prior to the November month-end processing cycle.

A review of documentation revealed that student No. X.1 dropped classes and was no longer eligible for the reported Cal Grant award. The institution, however, did not disburse the \$792 award nor did they return the funds to the Commission.

REFERENCES:

California Education Code, 69535.5
Institutional Agreement, Article III.B.7 and Article III.C.2
Cal Grant Manual, Chapter 5, page 5-20
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, page 9-11

REQUIRED ACTION:

The institution must remit the **\$792** undisbursed funds for the 2000-01 award year as identified above. The institution must also provide written procedures and internal control measures that will be used to ensure that all funds received from the Commission are: 1) properly deposited, 2) reconciled and agree with the Financial Aid Office and the Accounting Office, and 3) undisbursed funds are returned to the Commission. These written procedures should include time frames, staff titles, and specific areas of responsibility as it relates to the Cal Grant reconciliation process.

INSTITUTION'S RESPONSE:

The institution returned the undisbursed funds of \$792 in check No. 103899 and submitted revised written policies and internal control measures that ensure that all funds received from the Commission are: 1) properly deposited, 2) reconciled and the Financial Aid Office and the Accounting Office amounts agree, and 3) undisbursed funds are returned to the Commission.

AUDITOR REPLY:

The institution's response is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE
